

QUESTIONS & ANSWERS

LEGISLATIVE RESEARCH COMMISSION (LRC) ENERGY POLICY ISSUES

COMMITTEE MEETING

January 18, 2012

**Mr. Jon Williams, Assistant Secretary for Energy, Department of
Commerce**

Senator Blake: I have visited the Pennsylvania site where they have oil wells like drinking water. I have the strong feeling that the corporations that are doing this drilling and getting all this natural gas, they are going to be willing to put a lot of capital into making sure that I can buy natural gas at a service station. So I would leave that to the private enterprise. I think it is coming, but as you said, it is pretty obvious, natural gas is our source of energy for a long time out in the future. And we are pretty lucky that we may have some here in North Carolina, but I don't want us to get too concerned about who is going to pay for it. Making these places available to get natural gas, because if it's a money making process, I guarantee you the folks in Pennsylvania are not going to continue to get natural gas if they don't have good places to sell it.

Mr. Williams: Senator Blake, if I may add to that, Chesapeake Energy took \$155 million of their billion dollar investment fund last summer and bought half of a company in Colorado called Sun Drop Fuels. What Sun Drop Fuels does is they make biofuels and they are apparently funding an effort to combine natural gas with biofuel production to make a drop-in fuel. A drop-in fuel is something very similar to the way to pump gas today. That we use natural gas to produce biofuel that you can pump in through a pump, so they are not looking to just compressed natural gas, they are looking at any way that will increase the use of natural gas, not just one technology.

Senator Rucho: Mr. Secretary, in my earlier discussion I alluded to the fact that the White House has been very excited about the fact that domestic energy costs being relatively low has been a great supporter of bringing manufacturing back to the states. Why wouldn't the Department of Commerce be thrilled about that kind of activity if they are in the business of bring business manufacturing and the like in jobs back to North Carolina?

Mr. Williams: Thank you Mr. Chairman. What we find it a very intriguing possibility to produce natural gas in North Carolina, of course, we have natural gas in North Carolina through the Williams Transfer Pipeline at low cost already. So, I wouldn't rush to couple those two things together. If it is natural gas at a cheap price, we are thrilled if we can attract new industries. The production side of it is only one aspect of

it. We have got the Williams Transfer Pipeline being expanded today to bring more natural gas from all of these sources into North Carolina.

Senator Rucho: As any kind of new businesses, wouldn't you expect with low prices the private sector to go out and become aggressive in finding other sources. An example, as you alluded to, what would be wrong with the State auto fleet or the school buses to be able to utilize natural gas in their operations based on the fact that (1) it is clean, (2) it is cheap, and (3) we sure could use some savings in our budget. What do you think about that?

Mr. Williams: I think that is an excellent point. The only natural gas powered, compressed natural gas (CNG) vehicle, I think that is on the commercial market is the Honda Civic. The problem is that it costs \$10,000 more to buy the CNG Honda Civic than the regular Honda Civic. So, you have got to put money up front to try to recoup that in operational costs over the lifetime, and I don't have access to the analysis of the number of years it would take to recoup that cost. Of course, then the fleet is also tied to distribution network for CNG. I think what we have seen around the country is a lot of municipalities who run bus systems and other short distance fleets that would be users of fuel embracing CNG as a clean fuel where they can build the refueling infrastructure and use it all day long for those fleets.

Senator Rucho: When 19 degree temperatures come back I will be sure to invite you to my home where I have nice, warm natural gas to keep us comfortable. But under that circumstance, even during your presentation, you alluded to the fact that what we have seen, because of this, is a self-sufficiency in energy production in the states, specifically could be North Carolina. And that being said, I trust we would want to make every step forward if it can be done safely and efficiently, correct?

Mr. Williams: I am not sure that I know what you mean by self-sufficiency unless we would.....from the pipeline

Senator Rucho: Energy self-sufficiency, in the sense that we have a choice of being a receiver of energy from other countries, many of which are not friends of ours, or someone that at least has the choice to say we can use it here, or if we chose to, we can export energy.

Mr. Williams: Absolutely, we support the domestic development of natural gas.

Senator Goolsby: Regarding your comments about the 40-year supply of natural gas in North Carolina and that being potentially inaccurate, did your survey also include the trillions of potential natural gas offshore in North Carolina?

Mr. Williams: No, the comment about the 40-year supply was specifically keyed off of the Deep River Basin. That was from the State geologist report.

Senator Goolsby: Regarding the Conasauga River Basin and the money we spent there, was that government money or was that private money?

Mr. Williams: That was private money. Well, private money in the sense that a subsidiary of Dominion Energy from Virginia, which is a publically regulated utility, but I assume a for profit subsidiary.

Senator Goolsby: So, people spending their own money to try to find resources, not a state spending its valuable resources.

Mr. Williams: Absolutely. And I believe the company, I assume, has been very successful in the Black Warrior Basin next door. My point in mentioning that is, as I said, we don't know it's there until we know it's there.

Senator Goolsby: It would be private industry that would be spending their money to find these resources, not the state expending its resources.

Mr. Williams: That is what I would expect, yes.

Senator Goolsby: And I would expect the Department of Commerce is all for people expending their resources in North Carolina to generate revenue for jobs here.

Mr. Williams: Absolutely.

Senator Rabon: I have a question along that line too. The coal plants, electric generating plants, in North Carolina have an average age of about 45-50 years now and we have no coal in North Carolina. What it takes, and the regulation and the unlikelihood of getting more nuclear power and the expense of doing so, does it not make sense to look toward using natural gas more than we are using the.....and would that not be more efficient and would that not lower the cost of energy for everyone in North Carolina?

Mr. Williams: I think that is an excellent point, and to the extent it does lower the cost for everyone, that would be a broad base benefit to producing natural gas in North Carolina, because then everyone who uses electricity, which is pretty much everyone, would benefit from that transition. I will say that, if you look at natural gas markets, however, industrial users, such as utilities, already get very, very favorable pricing compared to residential users who only use it part of the year but have to have full infrastructure to use it, so, an industry may get \$3.00-\$3.50 a decatherm, a residential user may be paying, even today, \$10.00-\$11.00 a decatherm.

Senator Rucho: Thank you Mr. Secretary, we appreciate you coming here.